## REMARKS

This Amendment is in response to the Office Action mailed April 11, 2006.

## I. Arguments relative to the "Response to Arguments/Amendments

MPEP §2106(II)(6) states:

> **The subject matter of a properly construed claim is defined by the terms that limit its scope. It is this subject matter that must be examined. As a general matter, the grammar and intended meaning of terms used in a claim will dictate whether the language limits the claim scope. Language that suggests or makes optional but does not require steps to be performed or does not limit a claim to a particular structure does not limit the scope of a claim or claim limitation. The following are examples of language that may raise a question as to the limiting effect of the language in a claim:**
>
> **(A) statements of intended use or field of use,**
>
> **(B) "adapted to" or "adapted for" clauses,**
>
> **(C) "wherein" clauses, or**
>
> **(D) "whereby" clauses.**
>
> **This list of examples is not intended to be exhaustive. >See also MPEP § 2111.04.<**

Section 2111.04 referenced above states:

> **2111.04 "Adapted to," "Adapted for," "Wherein," and "Whereby" Clauses [R-3] - 2100 Patentability**
>
> **2111.04 "Adapted to," "Adapted for," "Wherein," and "Whereby" Clauses [R-3]**
>
> **Claim scope is not limited by claim language that suggests or makes optional but does not require steps to be performed, or by claim language that does not limit a claim to a particular structure. However, examples of claim language, although not exhaustive, that may raise a question as to the limiting effect of the language in a claim are:**
>
> **(A) "adapted to" or "adapted for" clauses;**
>
> **(B) "wherein" clauses; and**
>
> **(C) "whereby" clauses.**
>
> **The determination of whether each of these clauses is a limitation in a claim depends on the specific facts of the case. In *Hoffer v. Microsoft Corp.*, 405 F.3d 1326, 1329, 74 USPQ2d 1481, 1483 (Fed. Cir. 2005), the court held that when a "'whereby' clause states a condition that is material to patentability, it cannot be ignored in order to change the substance of the invention." *Id.* However, the court noted (quoting *Minton v. Nat'l Ass'n of Securities Dealers, Inc.*, 336 F.3d 1373, 1381, 67 USPQ2d 1614, 1620 (Fed. Cir. 2003)) that a "'whereby clause in a method claim is not given weight when it simply expresses the intended result of a process step positively recited.'" *Id.*<**

The Office has stated that the prepositions “upon” and “when” are somehow optional and cannot serve to limit claim language or to distinguish over the applied art. Note that neither sections 2106 or 2111.04 mention the terms “upon” or “when”, although they do caution that the lists appearing therein are not exhaustive in nature. It is respectfully submitted that neither “upon” or when” render any claim limitations optional. They set forth conditions, as in the recitation in claim 1:

> **releasing payment on the draft to a drawee of the draft upon satisfaction of the predetermined terms, at least a portion of the released payment originating from the created first online letter of credit.**

That is, the payment on the draft is released to the drawee only when (“upon”) the predetermined terms are satisfied. The releasing step is NOT optional, but MUST be carried out upon satisfaction of the predetermined terms.

Similarly, claim 2 recites:

> **The method of claim 1, wherein payment on the draft is contingent upon removal of a contingency**

Here also, payment on the draft is not optional, but MUST take place when the contingency is removed (that is, “upon removal of a contingency”, as claimed). Surely, the Office is not stating that claim limitations that define conditions that must be satisfied (such as the removal of contingencies) are not considered in evaluating the scope of the claim against the prior art. If the Office so contends, it is respectfully requested that specific authority for such be identified, either in the patent laws (35 U.S.C.), the implementing rules (37 C.F.R.) or in court precedents.

Similar arguments may be made with respect to the term “when.” For example, claim 2 states:

> **wherein the releasing step is carried out only when the contingency is timely removed by an authenticated party that is authorized to remove the contingency.**

Again, the claim defines a precondition for the releasing of payment: the contingency must be timely removed by an authenticated party that is authorized to remove the contingency. Again, the releasing step is NOT optional. Instead, the claim sets forth a <u>condition precedent</u> for the bank or financial service provider to release payment: the contingency must be timely removed by an authenticated party that is authorized to remove the contingency. That condition precedent is defined in claim 2 by the phrase: "the releasing step is carried out only when the contingency is timely removed." In other words, the financial service provider MAY NOT release payment if the contingency has not been timely removed by an authenticated party that is authorized to remove it. Again, there is no optional language in the claim, no optional functionality or step, nor is there any difficulty in ascertaining the scope of the claim. Defining a condition in a claim does not render the scope of the claim uncertain.

## II. <u>Claim Objections</u>

Objected to claim 44 has been canceled.

## III. <u>Claim Rejections Under 35 U.S.C. §112(2)</u>

Claims 1-23 and 38 were rejected as being indefinite under 35 U.S.C. §112(2). Reconsideration and withdrawal of these rejections are respectfully requested.

In the second paragraph, page 5 of outstanding Office Action, the Office states that:

> **..however, not all types of "drafts" are shown at a secure computer site.**

The Examiner appears to indicate that the specification mentions several flavors of drafts, whereas the claims only recite the term "draft", thereby rendering the claims indefinite.

However, the claims are not indefinite. Applicant stands by the definition of "draft" as a written order by a drawer, instructing a drawee to make a payment to a payee. The specification uses the shorthand notations "iDraft", "iDraftC" (a contingent iDraft) followed by the "™" device to denote transactions conforming to the iDraft™ system or association, as such is exhaustively described in the written portion of the specification and in the drawings. The claims define the invention which the applicants seek to protect, and the functionality and/or constraints placed on the draft and/or the release of funds thereon are positively claimed, and do not depend upon the use of some trademark, such as iDraft™, iDraftC™ and/or iLofC™, as used in the specification. When the draft is to be linked to a letter of credit or other financial instrument, the claims so state. For example, claim 1 recites:

> **establishing a secure computer site that shows the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;**
>
> **creating a first online letter of credit linked to a drawer of the draft and including predetermined terms, satisfaction of the terms being a precondition to the financial service provider releasing any payment from the created first online letter of credit;**

There is no ambiguity or uncertainty relative to the draft or the online letter of credit or the manner in which they interact. The Examiner is urged to examine the language of the claims and not rely upon trademarks that are not recited in the claims to define the claimed subject matter. As a general rule, trademarks do not function well in defining the subject matter that the applicant seeks to protect. In this case, consequently, the terms iDraft™, iDraftC™ and the like are avoided in favor of a clear and positive recitation of the subject matter sought to be protected.

In the final Office Action mailed October 21, 2005, claims 14 and 38 were rejected under 35 U.S.C. §112, **<u>first</u>** paragraph for allegedly failing to comply with the enablement requirement. In the instant Office Action, these same claims are now rejected as being indefinite under the **<u>second</u>** paragraph of §112, <u>for virtually the same reasons</u>. It is respectfully submitted that the

claims are fully supported by an enabling specification (which the Office has agreed to, as the rejection was withdrawn) and that they are suitably definite so as to define the subject matter of the present inventions with the requisite degree of specificity to satisfy the requirements of §112(2). Reconsideration and withdrawal of these rejections are respectfully requested.

Claims 14 and 38 recite:

> **… wherein the secure computer site is configured to keep an existence of and access to the first letter of credit from the drawee of the draft.**

In support of the rejection, it is respectfully submitted that the Examiner mistakenly states that "a seller (i.e. drawee) engaged in a commercial transaction with a buyer (i.e. drawer) using Applicant's system has knowledge of such a letter as the seller relies on Applicant's system to guarantee payment (Specification, page/line 52/7, 53/17)." At the outset, the pagination indicated by the Examiner does not appear to correspond to Applicant's copy of the originally-filed application.

Nevertheless, as explicitly stated in the specification in the paragraph bridging pages 58 and 59:

> **<u>The seller (drawee of the draft) preferably does not view, have access to or knowledge of the iLofC™</u>; rather, the capability of the buyer for payment is evidenced by the buyer's FSP making a payment promise that is contingent on delivery and acceptance of the involved goods (and other factors as agreed between buyer and seller). <u>The seller then has the FSP's promise to pay and may ship the goods accordingly, without even knowing the buyer's identity and his or her creditworthiness</u> (or his or her address, according to the provisions of co-pending and commonly assigned US patent application …). In this manner, the seller need not know anything about the buyer, but for the buyer's ability to pay for the requested goods and/or services through the iDraftC™ mechanism and/or <u>transparently</u> through the iLofC™ mechanism described herein. (Underlining for emphasis only)**

Note that the above passage specifically states that the seller has <u>no knowledge</u> of the claimed iLofC™. Instead, al that the seller has is the buyer's FSP promise to pay (that may be contingent upon delivery and acceptance of the goods). That is all that is required, from the

seller's point of view: a bank's promise that it will honor the buyer's draft and pay seller. It is the FSP's (e.g., the bank's) promise to pay that the seller is relying on, and not the buyer or the buyer's promise – as the seller may not even know the buyer's identity or creditworthiness. Note also that the above passage clearly states that the seller need not know anything about the buyer, but for the buyer's ability to pay (guaranteed by the FSB) through the iDraftC™ mechanism and/or transparently through the iLofC™ mechanism. These passages, Fig. 9 and the examples outlined in the specification provide more than ample enablement for the subject matter of claims 14 and 38.

What the seller gets is the FSB's promise to pay, backed by the FSB's creditworthiness. How the FSB and the buyer negotiate and set up debiting a drawer account and crediting the drawee (FSB's) account is a matter between the FSB and the drawer – the seller is not involved. In the claimed embodiment, this mechanism is via the claimed draft and the claimed letter of credit for at least a portion of the payment to be released. How, when and on what terms the drawer settles with the FSB is a matter of prior agreement between them, which is an agreement to which the seller is not a party. The seller only knows that he or she will get paid, because the FSB guarantees it, as long as the claimed predetermined terms are satisfied (such as delivery of the goods by seller and acceptance thereof by buyer, for example). Again, the seller need not have ANY knowledge of the buyer's letter of credit, despite the Office's belief to the contrary. All that the seller requires is the bank's promise to honor the buyer's draft, which promise is backed by the FSB's creditworthiness, as discussed extensively in the specification. Reconsideration and withdrawal of the 35 U.S.C. §112(2) rejections of claims 14 and 38 are, therefore, respectfully requested.

## IV. Rejections Under 35 U.S.C. §103(a)

### Independent Claim 1

Ogilvie was relied upon exclusively for a teaching of authenticating parties to an escrowed transaction. Abecassis does not teach or suggest even the first recited step of amended claim 1:

> **establishing a secure computer site that shows the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;**

Indeed, Abecassis does not teach or suggest the establishment of a secure computer site that shows a draft, as required by claim 1. In the paragraph bridging pages 2 and 3 of the outstanding Office Action, the Examiner points to the card 20 and the check 35 of Fig. 1A as corresponding to the claimed draft. However, Fig. 1A is not a secure computer site that shows the draft as required by claim 1, but Figs. 1A and 1B are disclosed to be "schematic diagrams representing hardware and process overviews", as stated at Column 4, lines 35-36. Abecassis relies upon a deposit center 40 that is accessible by telephone or by a Point of Sale (POS) terminal, as well as credit or deposit cards and /or deposit slips to identify the parties. A limit verification system validates the transaction (See Abecassis, Col. 6 and 7). As taught by Abecassis, the buyer deposits money in an escrow account after the transaction date but prior to the delivery date for the goods purchased by means of a deposit card and a deposit slip. The buyer may access the escrowing means to control the automatic payment of the amounts deposited into the escrow account to the seller.

The Examiner points to the Abstract, Fig. 1A, and to col. 5, line 65 to col. 6, line 35, for a teaching of such a secure computer site. However, no secure computer site is disclosed or suggested by these passages (or by the remainder of the applied reference), and no computer site

is disclosed or suggested in Abecassis that shows the draft. Even a broad interpretation of Abecassis does not support an interpretation wherein this reference teaches a secure computer site that shows the draft, and particularly the recitation that the site is "controlled by a financial service provider and accessible only to authenticated parties to the transaction." The Office Action of 04/12/06 does not point to any specific teaching in Abecassis that corresponds to this claim recitation. The combination of Abecassis in view of Ogilvie, therefore, cannot teach or suggest any such establishment of a secure computer site that shows the draft, whether the parties to an escrowed transaction are authenticated or not.

Amended claim 1 then continues to recite a step of:

> **creating a first online Letter of Credit linked to a drawer of the draft and including predetermined terms, satisfaction of the terms being a precondition to the financial service provider releasing any payment from the created first online Letter of Credit;**

The Office acknowledges that the Abecassis-Ogilvie combination does not teach or suggest creating an online Letter of Credit as claimed, and points to Case as providing the missing subject matter.

Case teaches a <u>paper and cardboard</u> Letter of Credit device that is configured to operate in conjunction with paper checks. When a traveler is remote from his or her bank, he or she may still write a check by presenting the Letter of Credit device that is tied to his or her checking account. Each time a check is written, the amount of the check is entered on the Letter of Credit device, and the amount noted therein <u>by punching out holes</u> in the appropriate columns 40. The check is also hole-punched, indicating that the check is to be processed according to the terms of the Letter of Credit. When the check is not hole-punched, it is processed according to the normal check cashing procedures. The paper Letter of Credit shows the available credit limit of the

bearer thereof, this available credit being decremented each time the traveler uses the paper Letter of Credit.

Keeping the foregoing in mind, the Examiner is kindly request to consider the following:

→ Abecassis does not teach or suggest any "**secure computer site that shows the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction**" as claimed. The passage identified by the Examiner (Fig. 1A, Column/line 5/65-6/7 does not teach a secure computer site that is accessible only to authenticated parties to the transaction.

→ Case does not teach an online Letter of Credit. **Case teaches a paper Letter of Credit from which institutions must punch out holes as it is used**.

Case does not teach or even remotely suggest an online Letter of Credit or how his paper Letter of Credit could be used in conjunction with an electronic system. Nonetheless, the Office points to Case's 1970's era punch-card paper Letter of Credit system used in combination with paper checks and states that "it would have been obvious to one of ordinary skill to combine the prior art teachings in order to protect drawer and drawee private information … and to enable a drawer (e.g., a traveler) to make a purchase using the system of Abecassis … while remote from the drawer's issuing bank…", without giving any cogent reason why such would have been obvious or how Case's paper Letter of Credit could be used as suggested. It is respectfully submitted that there is no teaching or suggestion in Case regarding how a hole-punched paper booklet (see Fig. 1) containing a Letter of Credit could be used in combination with an electronic system as taught by Abecassis. Even considering the references collectively, Abecassis-Ogilvie-Case do not teach or suggest the claimed invention, nor has the Office pointed to way of using a punch-card type Letter of Credit as taught by Case in the Abecassis-Ogilvie combination – nor would any way of doing so somehow occur to those of ordinary skill in the art.

The applied combination of references, therefore, does not teach or suggest the subject matter of claim 1 and that of its dependent claims. Reconsideration and withdrawal of the rejections under 35 U.S.C. §103(a), applied thereto, are, therefore, respectfully requested.

**Independent claim 24**

Independent claim 24 also recites a step of:

> **establishing a secure computer site that shows the draft, the site being controlled by a financial service provider and accessible only to authenticated parties to the transaction;**

As discussed in detail relative to claim 1 (with which amended independent claim 24 shares the first claim step), Abecassis does not teach or suggest the establishment of a secure computer site that shows the draft and that is controlled by a financial service provider (e.g., a bank). Although Ogilvie may teach authentication of buyer and seller, the applied combination cannot be said to teach or to suggest the establishment of a secure computer site controlled and accessible as claimed herein. Again, none of the passages identified by the Examiner teach or suggest any form of a computer site, whether controlled and accessible as claimed or not. Attention should be directed to the Office's own guidelines on establishing a prima facie case of obviousness:

> **To establish a *prima facie* case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art and not based on applicant's disclosure. *In re Vaeck,* 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991). See MPEP § 2143 - § 2143.03 for decisions pertinent to each of these criteria. (Underlining added for emphasis)**

In the present case, not only is a reasonable expectation of success absent, but the combination would utterly fail to teach or to suggest all of the claim limitations, as developed

above. At the very least, the combination does not teach or suggest establishing the claimed secure computer site, thus failing the test for obviousness. The Office's interpretation of Abecassis to include a teaching of a secure computer site as claimed when the reference itself is silent on the issue is believed to be untenable.

Claim 24 then continues:

> **creating a first online performance bond, the first online performance bond defining one of first liquidated damages to be paid to a drawer of the draft upon non-performance of the drawee and second liquidated damages to be paid to a drawee of the draft upon non-performance of the drawer;**
>
> **authenticating each party to the draft requesting access to the secure computer site to a satisfaction of the financial service provider, and**
>
> **carrying out one of the steps of:**
>
> **releasing payment on the draft to a drawee of the draft when both drawer and drawee perform;**
>
> **paying the first liquidated damages to the drawer upon non-performance of the drawee or upon occurrence of a first event; and**
>
> **paying the second liquidated damages to the drawee upon non-performance of the drawer or upon occurrence of a second event.**

The Office, in its rejection of claim 24 and its dependent claims, simply asserts that "performance bonds are old and well known." However, the claimed embodiment of Applicant's invention is not simply a performance bond. Instead, the claim recites that each party requesting access to the established secure computer site is authenticated and the method requires that the payment be released when both parties perform, or that the first or second liquidated damages as defined in the created online performance bond be paid upon the occurrence of first or second events, respectively. <u>Unless the applied combination of references teaches or suggest all of the claimed limitations, the claim must be allowed.</u> In this case, the applied combination of references does not teach or suggest the creation of any such computer site that shows the draft, the creation of an online performance bond or carrying out one of the three listed steps upon occurrence of the specified events, as claimed.

For example, the passage in Abecassis cited in the Office Action as being relevant to the claims, at col. 6, lines 8-35 is reproduced here:

> **The overall function of the deposit protection center 40 is to process inputs provided from the communications equipment 100, verify credit-related information on that equipment, such as a user PIN number, determine the purchaser's deposit limit, debit the deposit account and then process and send payment once there is a determination that the transaction has been successfully completed (i.e. by successful delivery of goods to purchaser).**
>
> **The deposit center can be implemented by one or several computers or other suitable logic devices that are connected to modems to the communications equipment 100 and that include substantial memory capacity. The computer also connects to an escrow source that is adapted to automatically credit and debit designated accounts based upon inputs to the center 40. As previously mentioned, the computer(s) forming center 40 also may interface with electronic credit card systems, such as illustrated in Nagata et al., U.S. Patent No. Re 32,985 which is incorporated herein by reference through the credit management third party linkage 45. In addition, or alternatively, the linkage 45 can integrate center 40 with conventional electronic banking systems, such as that disclosed in Case, U.S. Pat. No. 4,270,042, the disclosure of which also is incorporated herein by reference. Details relating to the operation of center 40 as well as the other hardware elements is provided below in FIGS. 2-5.**

The deposit protection center 40 is never disclosed to include or establish a secure computer site that shows the draft or that is controlled by the financial service provider, nor is the deposit protection center 40 of Abecassis ever disclosed (in this passage or in the remainder of the reference) to carry out any step of creating an online performance bond or ever carrying out a step of paying first or second liquidated damages (defined in the created online performance bond), as specifically claimed herein. Reconsideration and withdrawal of the obviousness rejections applied to claims 1-43 are, therefore, respectfully requested.

It is respectfully submitted that the amendment of January 25, 2006 was effective to overcome the 35 U.S.C. §103(a) rejection of the claims over the Abecassis-Ogilvie combination. Indeed, that amendment caused the Office to add the Case reference in order to make its §103(a) rejection. The Case reference, however, has been shown herein to teach only a 70's era hole-punch card type Letter of Credit, and no teaching whatsoever of any way of integrating such a hole-punch card into any electronic purchasing system of Abecassis-Ogilvie, and much less into the methods

claimed herein. Case's system simply does not remedy the acknowledged shortcomings of the previously overcome rejection based upon Abecassis and Ogilvie. That being the case, it is respectfully submitted that the 35 U.S.C. §103(a) applied to the pending claims is untenable, and should be withdrawn. The same, therefore, is respectfully requested.

Applicant believes that this application is now in condition for allowance. If any unresolved issues remain, please contact the undersigned attorney of record at the telephone number indicated below and whatever is necessary to resolve such issues will be done at once.

Respectfully submitted,

Date: July 14, 2006 By: ______________________

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